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C O N F I D E N T I A L SECTION 01 OF 03 ISLAMABAD 004084

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SUBJECT: DEPUTY SECRETARY'S BILATERAL MEETINGS IN PAKISTAN

Classified By: Anne W. Patterson, for reasons 1.4 (b)(d)

11. (C) Summary. Deputy Secretary Negroponte held bilateral meetings September 12 during the U.S.-Pakistan Strategic Dialogue with Foreign Secretary Riaz Khan and Foreign Minister Kasuri. Khan raised concerns about the negative impact of the U.S. NIE, the 9/11 Commission legislation's Pakistan provisions and critical administration statements about Pakistan's commitment to the war on terror. He also raised what the GOP sees as U.S. violations of the F-16 sale agreement, and concern over the U.S.-India Nuclear Agreement.

Both sides discussed the merits of a Bilateral Investment Treaty vs. a Free Trade Agreement. Khan also mentioned concern about the U.S. travel warning and visa approval delays and proposed adding a fifth pillar on agriculture to the Strategic Dialogue. In a separate meeting, the Deputy Secretary briefed Foreign Minister Kasuri on the situation in

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Afghanistan. End Summary.

Defense/Nuclear Issues

12. (C) Khan thanked the U.S. for continuing financial and developmental assistance and noted we enjoyed good counter-terrorism cooperation. He said that the GOP understood that it had the support of the U.S. administration, but the 9/11 Commission legislation's Pakistan-related provisions had had a negative impact on public perceptions of the relationship. He asked how the law's reporting requirements would impact current and post-2009 assistance. Presidents Bush and Musharraf have an excellent relationship, but what happens in the next administration? He urged that the reports be sensitive to GOP apprehensions.

13. (C) Khan said we agreed on the need to combat al Qaeda, but the NIE's assessment and critical administration statements weakened the GOP's hand in achieving our mutual goals. Recounting the history and legacy of the fight against the Soviet occupation of Afghanistan, Khan noted the GOP faces difficult challenges in the tribal areas. He thanked the U.S. for its plan to assist the GOP in the Federally Administered Tribal Areas (FATA) but cautioned that it would take time to implement and would require a comprehensive military/political/development strategy. Khan urged that "friends be patient while we are engaged" and noted that from its experience in Afghanistan, the U.S. should understand the challenge. Ambassador Durrani raised

the NIE's "safehaven" language and suggested it would be helpful to sit down with U.S. officials to discuss these reports.

14. (C) Khan also raised GOP concerns that the U.S. was undermining the terms of the F-16 sale agreement. Citing concerns about the release of critical technology for the F-16s, Durrani noted that this was both a cost issue and one of trust. Khan said Pakistan was also concerned that \$350 million in pending Coalition Support Fund requests had not been approved.

15. (C) On nuclear issues, Khan briefly noted GOP needs for alternative energy sources and said the U.S. understood GOP concerns about the U.S.-India Nuclear Agreement. Khan specifically asked if the U.S. could approve licenses for the purchase of a Loose Parts Monitoring System, which was IAEA-approved safety equipment, for the Chasma Civilian Nuclear Power Plant.

16. (C) The Deputy Secretary recognized GOP sacrifices in the war on terror, urged that U.S. statements not be taken out of context and agreed to convey GOP concerns to Washington. On the NIE, he said there was no question that al Qaeda was exploiting the border area to launch attacks on U.S. and coalition forces. He said the decision to require that F-16 mid-life upgrades be performed outside of Pakistan could not be revisited. He noted that the U.S. plan for the FATA was designed to support Pakistani efforts and that we were looking for ways to be even more supportive. Ambassador Patterson noted that the U.S. was ready to release \$200 million for pending Coalition Support Fund requests, but we had additional questions about \$140 million that we needed answered. We hoped that Chief Air Marshall Tanvir's upcoming trip to Washington would provide an opportunity to answer GOP

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questions about the F-16 sale.

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17. (C) Khan said that a Bilateral Investment Treaty would impose onerous reporting requirements and its MFN obligations would require that the same deal be extended to forty other countries if it were a stand-alone agreement. If it could be part of a larger framework like a Free Trade Agreement, however, there were greater possibilities. Khan noted that especially with the expected creation of Reconstruction Opportunity Zones (ROZ), it would be important for U.S. investors to have an overarching framework. Khan also noted that President Musharraf had signed an Anti-Money Laundering Ordinance.

18. (C) The Deputy Secretary said that there were both procedural and substantive challenges. The administration's fast track trade authority has expired, and there are already four pending FTAs to be approved in the Congress before the end of the administration. We would keep looking for opportunities. He asked Khan to clarify that the problem was the "stand-alone" treaty and wondered if there was a way to combine the two approaches.

Consular Issues

19. (C) Khan noted the difficulties Pakistanis, especially students, face in receiving visas. He also voiced concern about the U.S. Travel Advisory for Pakistan, saying that other countries keyed their warnings to America's. Our advisory was keeping the tourists away. Khan noted there were still six Pakistanis in Guantanamo but hoped their cases could be closed soon. He confirmed that approximately 60 Pakistanis had already been returned from Guantanamo. Ambassador said we shared Khan's concern about assisting students, and business travelers, in getting more rapid visa

Qqproval, and were trying to speed up the process.

Agriculture as a Fifth Pillar

¶10. (C) Finally, Khan proposed that the Strategic Dialogue be expanded to include agricultural issues in addition to the current topics of energy, education, economic development and science and technology cooperation. The Deputy Secretary asked the GOP to provide a proposal for the USG to review.

Meeting with FM Kasuri

¶11. (C) In a later meeting, FM Kasuri thanked the Deputy Secretary for leading the U.S. delegation to the Strategic

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Dialogue and for proposing they recur every six months. He agreed with FS Khan's suggestions to add agriculture as an additional pillar to the discussions.

¶12. (C) The Deputy Secretary said the situation in Afghanistan was improving, but fighting has intensified due to increased activity by ISAF/NATO forces and the insurgents. There are still areas, e.g., Helmand Province, where government control is weak. It was a mixed picture, but institutionally things were improving. The drug problem, however, was getting worse, and Helmand was key. We were encouraged by the Peace Jirga and the trilateral meeting with Pakistani and Afghan Presidential Advisors Aziz and Rassoul. We hope for rapid follow-up on the sub-jirga meetings. Regarding the latest Taliban offer to negotiate, the Deputy Secretary said that we first needed to determine who was

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talking with what authority, and we wanted to get the GOA's views before proceeding. But the United States did not rule out talking to those who sought peaceful reconciliation within the Afghan political system.

¶13. (U) Participants for the lunch: (U.S.) Ambassador, Deputy Secretary John Negroponte, D/Mary Sue Conaway, D/Ted Wittenstein, SCA/Caitlin Hayden, S/CT Robin McClellan and Embassy Political Counselor Candace Putnam (notetaker). (Pakistan) Foreign Secretary Riaz Khan, Pakistan Ambassador to the U.S. Mahmud Ali Durrani, MFA Secretary (Americas) Shahid Kamal, Secretary, Prime Minister's Secretariat Zamir

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Akram, MFA Spokesperson Tasnim Aslam, MFA DG (Americas) Sohail Mahmood, MFA Secretary (Afghanistan) Khalid Khattak, MFA Secretary (Asia Pacific) Massod Khalild, MFA DG (UN) Attiya Mahomood, MFA DG (Disarmament) Qazi Khalilullah, MFA Director (FS Office) Babar Amin, MFA Director (Americas) Mansoor Ahmad Khan. Participants for the Kasuri meeting: (U.S.) Ambassador, Deputy Secretary John Negroponte, S/CT Coordinator Dell Dailey, D/Mary Sue Conaway, SCA/Caitlin Hayden and Embassy Political Counselor Candace Putnam (notetaker). (Pakistan) Foreign Minister Kasuri, MFA DG (FM's Office) Khalil Mahmood, MFA DG (Americas) Sohail Mahmood, MFA Director (Americas) Mansoor Ahmad Khan.

¶14. (U) The Deputy Secretary's staff has cleared this message.

PATTERSON